

GAO



March 1989

Reports Issued in March 1989

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Reports Issued in March 1989

National Defense

Military Coproduction: U.S. Management of Programs Worldwide

Acc. No. 138242 (GAO/NSIAD-89-117), Mar. 22.

The Departments of Defense and State, and other U.S. government agencies do not directly manage or monitor coproduction programs to ensure compliance with agreement restrictions or production quantities and third-country sales. GAO reviewed U.S. military coproduction agreements and programs in six countries—the Federal Republic of Germany, Greece, Italy, Japan, the Republic of Korea, and Switzerland. The review included 18 coproduction programs under government-to-government memorandums of understanding, as well as technical data packages sold under government-to-government letters of offer and acceptance. GAO found unauthorized third-country sales of coproduced equipment occurred in 5 of the 18 programs under MOUs and in numerous programs under LOAs. The State Department, which is responsible for dealing with cases of noncompliance, has taken action on some, but not all, unauthorized sales cases. In practice, a typical response to third-country sales violations is a diplomatic protest, or demarche, issued by State. In cases of substantial violation, the law provides that foreign military sales credit may be terminated, but the sanction has never been used.

Hazardous Waste: DOD Efforts to Reduce Waste

GAO/NSIAD-89-35, Feb. 7.

The Department of Defense is a major generator of hazardous waste, which includes contaminated sludge, solvents, acids, and heavy metals that are dangerous to humans and the environment if disposed of improperly. DOD generates over 400,000 tons each year from industrial processes primarily used to repair and maintain weapon systems. The 1984 Hazardous and Solid Waste Amendments require that all hazardous waste generators have minimization programs. In response, DOD delegated responsibility for developing and implementing such programs to the Air Force, Army, and Navy. The services are identifying methods for reducing the quantity of waste generated, such as process changes and material substitutions. The services began to implement minimization programs in the mid-1980s and are attempting to reduce hazardous waste generation levels by 50 percent by 1992. However, they will have difficulty monitoring their progress because generation data are unreliable for several reasons. One, is that the services' input to the Defense Environmental Status Report contains only total waste generation data,

which is not correlated with changes in the amount of work being done. Another reason that data is unreliable is that the methods used to collect generation data varied among and within the services. DOD needs to establish a standard methodology for collecting and reporting hazardous waste generation data within the Department, which should include data on significant changes in production.

Research and
Development:
Funding of Jet Aircraft
Engines for Fiscal Years
1984-1988

Acc. No. 138053 (GAO/NSIAD-89-12FS), Mar. 1.

This fact sheet presents data on the funding of jet engine research and development by the military services and National Aeronautics and Space Administration for FY 1984 through FY 1988. The information includes funding for air-breathing jet engines but does not include funding of so called "black" or classified programs. Funding increased from \$727 million to \$1,020 million, or by about 40 percent, for this time period.

Federal Employees:
Early Retirements at the
Defense Department in
Fiscal Year 1988

GAO/GGD-89-53FS, Feb. 23.

GAO examined certain aspects of the Department of Defense's management of the voluntary early retirement program authorized in FY 1988 at the Army Materiel Command, the Army Aviation Systems Command, the Army Troop Support Command, and the Air Force Air Logistics Center. At AMC, including all of its subordinate commands, 15,763 employees were eligible for early retirement because of budget reductions and 2,877 retired. At the Air Logistics Center, 2,345 employees were eligible and 634 retired. Data from the two subordinate Army commands showed that the Army achieved budget savings of about \$6.6 million in FY 1988 as a result of a total of 288 employees electing early retirement.

Household Goods:
Evaluation of Department
of Defense Claims
Payment and Recovery
Activities

GAO/NSIAD-89-67, Feb. 24.

The Department of Defense shares liability with commercial moving companies for loss and damage incurred during the movement of the household goods of military service members. GAO looked at DOD's practices and procedures for settling service members' claims for loss and damages. Among the four services, claims procedures were reasonably consistent. Military household goods claims are higher on average than those made by carriers for similar commercial shipments because more

military shipments than commercial shipments go into temporary storage before delivery. This necessitates added handling, thereby significantly increasing the potential for loss and damage. While most of the services are apparently paying household goods claims in a reasonably effective and timely manner, indications of potential problems with some service efforts to recover the carrier's share of the liability for losses and damages to household goods shipments were found. Claims recovery apparently has a lower priority than claims payment to service members. DOD therefore needs to put more emphasis on recovery from carriers to fully realize the benefits of the recently increased carrier liability on military shipments.

**Financial Management:
Military Departments'
Response to the
Reorganization Act**

GAO/NSIAD-89-49, Feb. 9.

In response to the Goldwater-Nichols Department of Defense Reorganization Act, the military departments reorganized their headquarters financial management structures. The Army undertook an extensive restructuring, integrating the two existing staffs and strengthening its central budget function in the process. This has resulted in increased day-to-day involvement on the part of the assistant secretary in the financial management function. The Navy made relatively few changes because it already had an assistant secretary for financial management dual-hatted as its comptroller. As part of its reorganization, the Air Force eliminated the position of assistant secretary for financial management and made the comptroller, a military officer, its chief financial officer. This action generated concerns that the Air Force reorganization has weakened rather than strengthened civilian control.

**Procurement:
Partial Set-Asides for
Domestic Bulk Fuel by
Defense Fuel Supply
Center**

Acc. No. 138248 (GAO/NSIAD-89-112), Mar. 23.

Concern was raised whether the Defense Fuel Supply Center's actions are consistent with the intent of the Small Business Act and other legislation in that DFSC's standard procedures force small businesses to compete with large businesses and do not limit a portion of its competition to only small businesses. DFSC's small business partial set-aside procedures are consistent with applicable federal procurement and small business laws and regulations.

**Programming Language:
Status, Costs, and Issues
Associated With Defense's
Implementation of Ada**

Acc. No. 138250 (GAO/IMTEC-89-9), Mar. 24.

The Department of Defense has selected the Ada programming language as the single, common computer language for use in both its automated weapons and information systems. Information on 100 Ada projects shows that Ada is being used in many different types of computer applications. However, while some information is known about DOD's use of Ada, this information is not complete. Without complete information of DOD and military services' projects using Ada, it will be difficult for them to assess whether the use of Ada is achieving its intended objectives. DOD has not designed projects to assess the long-term cost savings and other benefits from the use of Ada. Also, five technical issues have been raised as areas needing attention before Ada can be effectively used as the computer programming language for all Defense computer applications. Two issues involve the availability of software development tools and the performance quality of compilers for use in projects, two involve the usability of Ada in real-time systems that require rapid data processing and distributed systems in which several computers process data simultaneously, and one involves the use of Ada application programs with data base management systems.

**ADP Systems:
Army Decision to Use Air
Force Military Pay System
Appears Advantageous**

Acc. No. 138062 (GAO/IMTEC-89-28), Mar. 1.

The Army's redesign of its pay system was started in 1980 and was intended to replace the Army's Joint Uniform Military Pay System that is used to pay active and reserve members. In July 1988, the Army estimated that the redesign project would cost about \$82 million and be fully operational in 1993. The Army had not adequately considered using an existing military pay system as an alternative to a total redesign. In June 1988, the House Appropriations Committee recommended a \$12-million reduction in the FY 1989 appropriation request until the project was reviewed by the Department of Defense. The Under Secretary of the Army directed that a task force study the feasibility of adopting the Air Force military pay system. The task force concluded that adopting the Air Force's pay system would substantially reduce costs, shorten development and implementation time, and reduce the risks associated with a major redesign. The use of a single pay system by both services is in line with the Office of Management and Budget and DOD objectives to reduce the number of pay systems within DOD.

**Navy Training:
Safety Has Been Improved,
but More Still Needs to Be
Done**

Acc. No. 138104 (GAO/NSIAD-89-119), Mar. 7.

GAO was asked by the Wisconsin congressional delegation to look into the events surrounding the death of Airman Recruit Lee Mirecki who died while undergoing training at the Navy's Rescue Swimmer School in Pensacola, Florida. The atmosphere at the school combined with inadequate internal controls allowed a series of events to occur that led to the Lee Mirecki's death. Because of command pressure to produce more graduates, the Rescue Swimmer School became less selective of the students it enrolled and increased the importance of discouraging voluntary attrition; these factors helped to create an intimidating, nonvolunteer atmosphere at the school. RSS did not effectively manage its operations and staff. For example, the school did not adequately supervise and train instructors, had an inadequate student feedback system, inadequately screened students, and did not have a system for alerting instructors to special students problems. The lack of internal controls at the school was compounded by inadequate command oversight. Higher level commands did not (1) pay sufficient attention to high attrition and rollback rate, (2) follow up on injury and medical incidents, (3) establish safety audit/inspection responsibilities, and (4) provide adequate curriculum review. Actions resulting from the RSS review and the commandwide review contributed to improving training safety; however, additional changes are still needed to clarify policies, eliminate coercion, improve instructor selection and training, and improve internal controls.

**Navy Supply:
Questionable Decisions
Increased Initial Spares
Costs for AV-8B Aircraft**

Acc. No. 138066 (GAO/NSIAD-89-103), Mar. 2.

The Navy's AV-8B aircraft program has relatively recent initial spares requirements and accounts for \$689 million of the \$4.4 billion the Navy budgeted for initial spares between FYs 1985 and 1988. Although Department of Defense guidance states that initial provisioning should be provided through a cost-effective approach, the Navy's Aviation Supply Office did not follow this guidance when placing orders for three principal reasons. First, ASO provided formulas for calculating initial requirements that followed DOD guidance, but the AV-8B section adopted a minimum buy policy that authorized purchases of every type of spare regardless of the outcome of the requirements formula. Second, in some cases ASO did not consider prior orders when placing subsequent ones. Third, ASO increased spare parts orders due to contractor-imposed minimum order requirements. Internal controls were not in place to surface these deviations to Navy managers. Such controls are essential elements of effective inventory management. When properly implemented, they

provide reasonable assurance that resources are used in accordance with applicable laws, regulations, and policies and that situations that deviate from current standards are reported.

**Navy Ships:
Evaluating Bids for
Maintenance to Be
Performed Away From
Home Ports**

GAO/NSIAD-89-101, Feb. 28.

The additional costs the Navy incurs for moving vessels and crew members between their home ports and other locations for overhaul and repair work are known as "interport differential costs." Examples of such costs can include expenses for fuel, administrative travel, crew relocation, and allowances for family separation and for travel and transportation. Requirements and restrictions for assessing such costs are contained in Navy guidance, the Federal Acquisition Regulation, and legislation. Before awarding work among competing shipyards, the Navy estimates and adds certain interport differential costs to the shipyard's proposals to determine the lowest overall cost to the government.

**Military Readiness:
Status of the Marine Corps
Prepositioning Program in
Norway**

Acc. No. 138217 (GAO/NSIAD-89-110), Mar. 17.

The Marine Corps is prepositioning selected equipment and 30 days of supplies and ammunition in Norway to support its mission—to help defend the northern flank of the North Atlantic Treaty Organization. The Corps should be able to complete those program activities and issues now undergoing internal planning and evaluation and meet its scheduled operational capability date of December 1989. However, the Marine Corps expects a shortfall in prepositioned ammunition that is in short supply. This shortfall will not preclude the Corps from meeting its initial operational capability date because it can draw from resources allocated to other commitments should the Marines need to deploy to Norway.

**Supply Security:
Air Force Controls Need to
Be Strengthened**

GAO/NSIAD-89-34, Jan. 12.

GAO examined controls over materials during the receiving process by the 3rd Supply Squadron at Clark Air Base in the Philippines. The squadron processes most material receipts as required; however, several weaknesses were found that increase the chance of fraud, waste, and

abuse. These weaknesses included not reporting certain shipping discrepancies, not verifying and analyzing discrepancies, inadequate physical security, and insufficiently separating duties for supply receipts and issues.

**Base Support Services:
Disestablishment of Two
Consolidated
Organizations in San
Antonio**

GAO/NSIAD-89-97, Mar. 8.

The Department of Defense approved the disestablishment of the San Antonio Real Property Maintenance Agency and the San Antonio Contracting Center on April 1, 1988. Studies by DoD and the Air Force indicated that savings were not being realized and that installation commanders wanted to reacquire direct control over these activities.

**Trainer Aircraft:
Plans to Replace the
Existing Fleet**

Acc. No. 138221 (GAO/NSIAD-89-94), Mar. 20.

Undergraduate pilot training is the initial phase of Air Force pilot training and is designed to provide students with the basic skills needed for subsequent training in specific operational aircraft. The Air Force is proposing to separate the current system into two specialized tracks, one for students who will eventually fly tanker or transport aircraft and the other for students who will eventually fly fighter or bomber aircraft. The master plan shows an estimated life-cycle cost for a dual-track system of \$17.9 billion and for a single-track system of \$18.8 billion. According to Air Force officials and documents, the cost analysis in the master plan contains a degree of uncertainty and is meant to provide order of magnitude cost estimates. Because of the closeness of the costs of the dual-track and single-track alternatives, neither is a clear choice over the other from a cost perspective.

International Affairs

Export Promotion: U.S. Government Promotional Activities in Japan

GAO/NSIAD-89-77BR, Feb. 21.

The U.S. and Foreign Commercial Service is the primary U.S. government agency that assists U.S. businesses in understanding, entering, or expanding their presence in the complex Japanese marketplace. Budget limitations and the decrease in the dollar's purchasing power in Japan have constrained the post's export promotion activities. For example, US&FCS personnel have occasionally paid for their own travel for government-related activities and stayed with friends while on official duty. In addition the post has experienced vacancies in a number of key position at a time of heightened interest in U.S.-Japan trade. This has prompted concern among industry representatives about the lack of coverage in key sectors, such as electronics and pharmaceuticals. According to the senior US&FCS officer in Japan, if current vacancies are filled the post will be able to provide basic services.

Central America: Conditions of Refugees and Displaced Persons

Acc. No. 138052 (GAO/NSIAD-89-54), Mar. 1.

Civil strife and related economic hardships in Central America have generated substantial flows of displaced persons and refugees. There are about 28,000 refugees from El Salvador and 48,000 from Nicaragua who are living in neighboring Central American countries and over 200,000 Salvadoran who have been displaced within their own country. Living conditions varied among different groups of refugees and displaced persons. For example, Nicaraguan refugees in Costa Rica had much better living conditions than Salvadorans displaced within their own country. Refugees registered with the United Nations High Commissioner for Refugees have access to food, education, and health care. There are large numbers of refugees not registered with the United Nations who are not taking advantage of or receiving services. This report provides information on the conditions of Salvadoran and Nicaraguan refugees and displaced persons in Honduras, El Salvador, and Costa Rica.

**International Trade:
The Special Access
Program for Caribbean
Apparel Imports**

GAO/NSIAD-89-122, Mar. 15.

The Special Access Program gives Caribbean exporters relief from the U.S. import duties and quotas if the apparel is made from U.S. fabric and cut in the United States, exported to a Caribbean country for assembly, and imported back into the United States. To help enforce Program regulations, participating companies are required to maintain records and to submit detailed information on the cut fabric shipped to the Caribbean and the finished apparel returned to the United States. The Customs Service relies on a form to ensure participating firms compliance with program regulations. Some of the problems Customs found were quantity violations, the incoming shipment has more goods than the outgoing form stated could be assembled from the exported piece goods; marking violations, involving improper "country-of-origin" statements; and restriction violations such as trademark violations.

**Strategic Minerals:
Implications of Proposed
Takeover of a Major
British Mining Company**

Acc. No. 138240 (GAO/NSIAD-89-123), Mar. 3.

GAO was asked to provide data related to the proposed takeover of Consolidated Gold Fields, a British mining and construction materials company with substantial assets in the United States, by Minorco, a Luxembourg-based company controlled by South African interests. Almost half of the free world's gold production and almost all platinum production occurs in South Africa. Because Gold Fields has limited gold production outside South Africa and no platinum production, a successful acquisition by Minorco would have limited impact on the concentration of free world gold production and none on platinum production. However, a company in which Gold Fields has a substantial shareholding is a major producer of rutile, monazite, and zirconium; all of its production of these minerals is in Australia and the United States. A Minorco acquisition of Gold Fields without the sale of Gold Fields' shares in the company that produces these three minerals would substantially increase the portion of their production linked to South African interests.

Science, Space, and Technology

Laboratory Accreditation: Requirements Vary Throughout the Federal Government

GAO/RCED-89-102, Mar. 28.

Laboratory accreditation in the federal government encompasses many different types of testing and related activities, from inspecting grain to certifying maritime cargo gear. Federal laboratory accreditation programs contain varying requirements that labs must meet, although the requirements fit into certain common categories, such as organizational information, quality control, personnel, facilities and equipment, test methods and procedures, records and recordkeeping, test reports, and proficiency testing. The federal programs generally do not overlap because they tend to be in different fields of testing. For example, the Food Safety and Inspection Service at the U.S. Department of Agriculture accredits for testing meat and poultry for moisture, fat, salt and protein content, while the Health Care Financing Administration at the Department of Health and Human Services accredits for testing materials derived from the human body for disease.

Energy

Nuclear Waste: DOE's Method for Assigning Defense Waste Disposal Costs Complies with NWPA

GAO/RCED-89-2, Feb. 2.

The Nuclear Waste Policy Act established a program within the Department of Energy for disposing of commercial nuclear waste in one or more deep underground repositories. The act requires DOE to allocate the costs of developing, constructing, and operating the repository or repositories between the generators of commercial and defense waste. Further, the act requires that when federally owned or generated defense waste is placed in a repository, the federal government's share of the costs must be "equivalent to" the fees paid by commercial utilities. DOE's cost allocation method complies with the act's requirements for full cost recovery and equivalency.

**Nuclear Waste:
Termination of Activities
at Two Sites Proceeding in
an Orderly Manner**

GAO/RCED-89-66, Feb. 6.

The Department of Energy's efforts to terminate nuclear waste repository program activities at sites in Washington and Texas appear to have been consistent with a reasonable interpretation of the 1987 amendments to the Nuclear Waste Policy Act. Specifically, with the exception of continuing operation of a seismic network at one site that provides information useful to other DOE programs, site-specific activities appear have been terminated within the allowable time period; no basis to conclude that site-specific activities have been continued as general research was found; and the total cost to phase out all work at the two sites is estimated to be about \$116 million, or about \$25 million less than the original estimate.

**Nuclear Regulation:
NRC's Security Clearance
Program Can Be
Strengthened**

GAO/RCED-89-41, Dec. 20.

The Nuclear Regulatory Commission routinely waives its background investigation requirements for new hires. NRC security staff estimate that 99 percent of new employees are hired before they receive a security clearance. They say waivers are used because the Office of Personnel and Management takes too long to conduct the required background investigations. NRC policies do not require reinvestigation of the background of nearly 50 percent of its clearance holders. Therefore, NRC does not know whether circumstances in some employees' lifestyles have changed, making them security risks. Also, NRC does not have accurate clearance information to effectively manage its program. For example, its computerized system does not have all the data needed to determine when reinvestigations should be requested. To enhance security and improve the effectiveness of its clearance program NRC should (1) require periodic reinvestigations for all employees, (2) validate and update the security clearance database, and (3) expedite a decision to issue either a policy statement or a regulation regarding access to commercial nuclear power plants.

**Energy Management:
DOE Should Improve Its
Control Over Work for
Other Federal Agencies**

GAO/RCED-89-21, Feb. 9.

The products and services that the Department of Energy provides to non-DOE entities, primarily other federal agencies, have increased significantly since 1980, growing from \$725 million to \$2.2 billion in FY 1987. Most non-DOE work is authorized under the Economy Act of 1932, which allows federal agencies to obtain goods and services from other federal

agencies as long as the work cannot be provided as conveniently or cheaply by the private sector. The act also requires performing agencies to recover actual costs from the sponsoring agencies. Other legislation allows Energy to perform work for non-DOE sponsors on either a reimbursement or cash advance basis. While DOE's existing policies concerning non-DOE work generally conform to the pertinent legislation, effective control may not be assured because of inconsistent implementation at the field office level. Implementation varies because there are no established standards for overseeing non-DOE work. Although DOE has recently taken action to eliminate certain financial weaknesses associated with non-DOE work, a number of other controls could be strengthened.

**Energy Regulation:
The Quality of DOE's Oil
Overcharge Information**

GAO/RCED-89-104, Mar. 15.

The Economic Regulatory Administration is responsible for resolving oil overcharge cases under the Emergency Petroleum Allocation Act. ERA maintains a case-tracking database that is used primarily to monitor the status of oil overcharge cases. Although the database includes some information on outstanding overcharges, it is not used by ERA management or attorneys to calculate the total overcharge amounts that ERA has alleged or expects to collect. The information is not complete and, in some cases, is known to be inaccurate and not up to date

**Natural Resources and
Environment**

**Forest Service:
Status of Geographic
Information System
Acquisition**

Acc. No. 138081 (GAO/IMTEC-89-27), Mar. 6.

The Forest Service's Geographic Information System is to be a computer-based system to store, retrieve, analyze, and present spatially referenced information about the nearly 200 million acres of national forests and grasslands that it manages. In its Information Resources Management plan for FYs 1989 through 1993, the Service estimated that its costs of developing, implementing, and operating a GIS will be \$167.6 million. Currently, the Service is planning how to organize and define its GIS data base and determine the kinds of data that should be collected on

all national forests. Several steps must be taken before the Forest Service can receive approval from the Department of Agriculture and the General Services Administration to request vendors to submit proposals on its GIS.

**National Forests:
Financial Ability Reviews
of Prospective Timber
Purchasers Need
Improvement**

GAO/RCED-89-110, Mar. 31.

During the past few years, the Forest Service has experienced a record number of defaults on timber sale contracts primarily as a result of timber operators holding large portfolios of high-priced timber sale contracts that they could not economically operate. As a result, the Chief of the Forest Service sent a directive to all Regional Foresters concerning the required performance of financial ability reviews of prospective timber sale purchasers that had defaulted on timber sale contracts within the prior 3 years. Required financial ability reviews of prospective timber purchasers were being done in Region 1 but not Regions 5 or 6. The required reviews were not done primarily because regional and forest personnel were not aware that the purchasers had defaulted on timber sale contracts in other national forest units or the Bureau of Land Management. No formal mechanism exists to assure that forest and regional personnel have access to information on purchasers' defaults occurring outside their regions. In addition, regional and forest personnel in all three regions said that the instructions regarding reviews were not clear, and they needed additional training to do financial ability reviews.

**Stratospheric Ozone:
EPA's Safety Assessment
of Substitutes for Ozone-
Depleting Chemicals**

GAO/RCED-89-49, Feb. 13.

Emissions from chemicals known as chlorofluorocarbons and halons are depleting the stratospheric ozone, which shields the earth from the sun's harmful ultraviolet radiation. Chemical producers are currently attempting to develop chemical substitutes for ozone-depleting CFCs and halons that are economically viable, technically effective, and safe for human health and the environment. The Environmental Protection Agency is responsible for ensuring that chemical substitutes present no unreasonable risks to public health and the environment. Its safety assessment approach relies mainly on special efforts by EPA staff to analyze available toxicity data on likely substitutes and gain the voluntary cooperation of producers to provide EPA with unpublished information on their current testing. However, EPA's approach does not include using the Toxic Substances Control Act's authority to require producers to

notify EPA of intended significant new uses of existing chemicals as substitutes for CFCs and halons before commercialization in order to give EPA an opportunity to review and, if necessary, control such uses.

**Federal Land Management:
The Mining Law of 1872
Needs Revision**

Acc. No. 138159 (GAO/RCED-89-72), Mar. 10.

The Mining Law of 1872 was enacted to promote exploration and development of domestic mineral resources as well as the settlement of the western United States. It permits U.S. citizens and businesses to (1) freely prospect for hardrock minerals, such as gold, silver, lead, iron, and copper, on most federal lands, and (2) if a valuable deposit is discovered, file a claim giving them the right to use the land for mining activities and the mineral extracted without having to pay the federal government any holding fees or royalties. In order to preserve their rights to claims, claim holders must annually perform at least \$100 worth of drilling, excavating, or other development-related work. Neither the act's patent provision nor its annual work requirement ensure that a mineral claim will be developed. Rather, escalating land prices, primarily near expanding communities, resort areas, and tourist attractions, have made the act's patent provision an attractive means of acquiring title to valuable land for nonmining purposes. This, coupled with the nominal cost gaining title to the land, has resulted in some patent holders reaping huge profits at the government's expense. Much of the work done or certified to have been done by claim holders to meet the mining law's annual work requirement has not brought the claims any closer to development, and the requirement is difficult for federal land-managing agencies to enforce.

**Superfund Contracts:
EPA's Procedures for
Preventing Conflicts of
Interest Need
Strengthening**

GAO/RCED-89-57, Feb. 17.

The Environmental Protection Agency relies heavily on private contractors to carry out the multibillion-dollar Superfund program, whose goal is to clean up thousands of potentially hazardous waste sites throughout the Nation. Because contractors also do work for private firms that may have polluted these sites, contractors could be confronted with a conflict of interest that could impair their objectivity when performing work for EPA. Accordingly, EPA has a policy to avoid, neutralize, or mitigate conflicts of interest by its contractors. To implement this policy, EPA established a system of requirements and procedures that requires contractors to (1) identify potential conflicts or certify that they are not aware of any existing conflicts during the precontract award phase,

(2) notify EPA, after contract award, of any known conflicts that the contractor becomes aware of, and (3) request EPA's approval to work for private parties. EPA's conflict of interest system contains weaknesses that hinder its ability to adequately ensure that contractors are adhering to EPA's policies. In its routine reviews of contractors' performance, EPA does not check to determine that contractors have and follow policies and procedures for preventing conflicts and are in compliance with EPA's requirements and procedures.

Agriculture

Agricultural Trade: Long-Term Bilateral Grain Agreements With the Soviet Union and China

Acc. No. 138243 (GAO/NSIAD-89-63), Mar. 22.

U.S. long-term bilateral grain agreements established frameworks for grain trade whereby the Soviet Union and China agreed to purchase minimum quantities of wheat and corn from the United States. In return, the U.S. government agreed to facilitate the sale of those commodities at prevailing market prices for a set number of years. LBGAS have contributed to some stability in U.S. and international grain markets, especially in tight supply situations. Since the early 1980s, however, worldwide grain markets have been in oversupply and Chinese grain production has increased dramatically. Although the Soviets continue to favor LBGAS to meet a substantial portion of their grain import needs, the Chinese now favor purchasing grain outside the framework of an LBGA, and have not entered into agreements with any country since 1984.

Reserve Accounting: Rural Telephone Bank's Reserve for Losses Due to Interest Rate Fluctuations

Acc. No. 138260 (GAO/AFMD-89-15), Mar. 27.

The Rural Telephone Bank was established as a corporate instrumentality of the U.S. government to meet the growing capital needs of rural telephone systems and to serve as a source of supplemental financing by providing low-cost, long-term loans. A section of Public Law 100-203 required the RTB to establish a reserve for losses due to interest rate fluctuations. This reserve is to replace RTB's much broader reserve for contingencies currently included in the equity section of the bank's financial statements. Amounts in the reserve for losses due to interest rate fluctuations may only be used to cover operating losses and only after consideration of any GAO recommendations made under another

section of the act. GAO recommends that the Governor of RTB (1) initially establish the reserve for losses due to interest rate fluctuations at an amount not to exceed \$10 million; (2) distribute amounts over the initially established \$10 million level as class B patronage stock dividends to RTB's borrowers, in proportion to the interest each borrower paid over the period when the excess was accumulated; (3) charge the reserve for any losses due to interest rate fluctuations; and (4) replenish the reserve, as needed, to the established level or a lower level, as the risk of interest losses decreases.

**Internal Controls:
Program to Address
Problem Meat and Poultry
Plants Needs Improvement**

GAO/RCED-89-55, Mar. 31.

The U.S. Department of Agriculture reported in its 1984 annual assurance letter that it needed to improve conditions at meat and poultry plants that chronically violated requirements for health, safety, and product standards. To address this situation, USDA's Food Safety and Inspection Service initiated an Intensified Regulatory Enforcement program at problem plants. The IRE program has been successful in the short run in improving conditions at plants where problems have been identified. However, long-term improvements are less likely to occur for two principal reasons. First, FSIS does not have an adequate follow-up monitoring system for plants that have shown improvement and graduated from the IRE program. Second, FSIS cannot ensure that all problem plants are being identified and considered for IRE because it does not have an adequate method to identify the universe of potential IRE candidates. FSIS needs to improve the criteria for the program and develop a data information system based on the criteria in order to ensure the long-term effectiveness of the IRE program.

**Commerce and
Housing Credit**

**High Yield Bonds:
Issues Concerning Thrift
Investments in High Yield
Bonds**

GAO/GGD-89-48, Mar. 2.

Within certain limits, federally insured thrifts can invest in high yield bonds under the provisions of the Garn-St Germain Act. So far, high yield bonds have been attractive investments for thrifts compared to many alternative investments. High yield bond investments have not

contributed to the thrift industry's current problems; however, the higher yields on these bonds carry higher risks compared to traditional thrift assets such as residential mortgage loans. In its present size and form, the high yield bond market has not been tested in a recession. A severe economic downturn might increase bond defaults. For these reasons, thrifts need to have the expertise to invest in high yield bonds and should exercise caution in selecting and managing their portfolios. The Federal Home Loan Bank Board in January issued final guidelines for federally insured thrifts to use in purchasing and managing high yield bond investments.

**CPA Audit Quality:
Status of Actions Taken to
Improve Auditing and
Financial Reporting of
Public Companies**

Acc. No. 138079 (GAO/AFMD-89-38), Mar. 6.

Federal securities laws, which seek to protect the public in their securities transactions, require public companies to disclose information which accurately depicts the financial condition and results of company activities. During the past 5 years, several well publicized business failures and a series of congressional hearings raised questions about the effectiveness of the independent audit of public companies and the Securities and Exchange Commission's oversight of the public accounting profession. The public accounting profession and others have taken positive actions which demonstrate a commitment to addressing concerns about audit quality and the accuracy and reliability of financial disclosures. However, several of the proposals for action, most notably those relating to the SEC, have been released for public comment but not yet adopted.

**Financial Issues:
Information on FSLIC
Notes and Assistance
Agreements**

GAO/AFMD-89-54FS, Feb. 27.

Concern was raised about (1) the Federal Home Loan Bank Board's use of promissory notes and assistance guarantees to restructure failed savings and loans institution insured by the Federal Savings and Loan Insurance Corporation, and (2) if the actions have been properly coordinated with the Department of the Treasury and the Office of Management and Budget. FSLIC provides specific financial information concerning the issuance of notes and assistance guarantees in periodic reports to the Treasury and OMB; however, beyond this reporting, the Board and FSLIC are not required to coordinate specific resolution activities with the Treasury or OMB. The Board and FSLIC have informally discussed with the Treasury and OMB officials the recent acceleration of

resolution actions and its general impact on the amount of FSLIC obligations outstanding.

**Failed Thrifts:
Bank Board's 1988 Texas
Resolutions**

GAO/GGD-89-59, Mar. 11.

On February 3, 1988, the Federal Home Loan Bank Board approved the Southwest Plan, a program designed to resolve the multibillion dollar problem of insolvent thrifts, primarily in Texas. The Plan was unusual in that all insolvent thrifts in the state were to be included in the program. In implementing the Plan, the Board sought, among other things, to (1) retain a competitive environment and therefore preserve the basic thrift industry in Texas, (2) reduce or eliminate any duplications and redundancies in the Texas industry, (3) identify the most capable individuals to manage the new thrifts, (4) reduce expenses and control losses in problem thrift assets, (5) use the Federal Saving and Loan Insurance Corporation's resources efficiently, and (6) enable FSLIC to share in any future profits of the assisted institutions.

**Chicago Futures Market:
Initial Observations on
Trade Practice Abuses**

GAO/GGD-89-58, Mar. 13.

This report provides GAO's initial observations on how the Commodity Futures Trading Commission, Chicago Board of Trade, and Chicago Mercantile Exchange oversee futures market trading practices. Three indicators to measure the intensity of CFTC and exchange efforts to detect and punish trade practice abusers were identified. These indicators are (1) the adequacy of CFTC and the exchanges' framework of controls, (2) the number and nature of disciplinary actions taken, (3) the effectiveness with which oversight results are used. CFTC and exchange oversight programs are being strengthened through improved computerized audit trail and evaluation systems. The exchanges provided GAO with the number and nature of disciplinary actions they took against market participants. While the volume of transactions at CME and CBT increased about 80 and 90 percent, respectively, between 1984 and 1988, the number of disciplinary actions at CME increased over 700 percent while the number at CBT remained relatively constant over this period. GAO is just beginning work to evaluate how CFTC and the exchanges use their oversight information. It has been noted that certain information is not routinely aggregated for management's use.

**Magnuson-Moss Warranty Act:
FTC's and Better Business Bureau's Handling of Automobile Warranty Complaints**

GAO/HRD-89-57, Mar. 14.

The Magnuson-Moss Warranty Act, administered by the Federal Trade Commission, is the federal law covering warranties on consumer products. Under the act, businesses such as automobile manufacturers may offer written warranties that require consumers to use an informal dispute resolution program before bringing suit in a federal or state court. If business' written warranties contain such a requirement, the program must comply with FTC's rules on informal dispute settlement programs in 16 C.F.R. Part 703. This part, commonly known as "Rule 703," establishes minimum standards to protect consumers' rights under warranties. GAO looked at how the Federal Trade Commission and the Council of Better Business Bureaus, Inc., handled a constituent's claims under an automobile manufacturer's written warranty. GAO found that the Council and the local Better Business Bureau had the authority to hear the constituent's claim using regular, not Rule 703, procedures and that FTC staff did not err in its review of and conclusion on the case.

Transportation

**Mass Transit Grants:
UMTA Needs to Improve Procurement Monitoring at Local Transit Authority**

GAO/RCED-89-94, Mar. 31.

GAO was asked to review the Urban Mass Transportation Administration's oversight of the Southeastern Pennsylvania Transportation Authority's compliance with federal procurement requirements. UMTA provides mass transportation assistance through two primary grant programs. As a condition to receiving grants, SEPTA is required to use a competitive procurement process that fosters full and open competition and reasonable prices. Unless UMTA has reviewed and certified SEPTA's procurement system, SEPTA is required to provide a written self-certification that it complies with the procurement requirements. GAO's review showed that UMTA's monitoring procedures and practices were not adequate to ensure SEPTA's compliance with procurement requirements or to detect the deficiencies found by an independent consulting firm. UMTA has generally relied on SEPTA's self-certification, substantiated by pre-award and triennial reviews and independent annual audits, that it complied with procurement requirements. UMTA needs to improve its internal controls by increasing monitoring procedures and practices to ensure that SEPTA remains in compliance with procurement requirements after it takes corrective actions.

Health

Board and Care: Insufficient Assurances That Residents' Needs Are Identified and Met

GAO/HRD-89-50, Feb. 10.

Many elderly and disabled adults reside in board and care homes; little is known nationally, however, about the residents' needs, the care they receive, or the total number of homes operating in the United States. In 1976, Congress enacted the Keys Amendment to the Social Security Act, which required states to certify, to the Department of Health and Human Services, that all facilities in which a significant number of Supplemental Security Income recipients resided or were likely to reside met appropriate standards. States continue to find serious problems in some licensed board and care homes. These problems range from very serious situations, such as residents being subjected to physical and sexual abuse to persistent unsanitary conditions. In some cases residents were denied heat, were suffering from dehydration, were denied adequate medical care, or had food withheld if they did not work. Situations have occurred that have contributed to the death of board and care residents. HHS needs (1) to conduct a comprehensive assessment of states' oversight activities for their board and care population and (2) report to Congress findings and, if appropriate, recommendations as to subsequent steps needed to assure protection of residents and changes needed to the Key Amendments to make it more effective.

Health Insurance: An Overview of the Working Uninsured

GAO/HRD-89-45, Feb. 24.

Unlike other Western nations, which sponsor health benefits through public programs, Americans obtain their health benefits primarily through their source of employment—either employer-sponsored or union-sponsored health insurance. The percentage of Americans covered by employment-related health insurance has been declining, despite recent increases in the number of people working. Generally, the businesses least likely to offer health benefits are those that provide low-wage or low-skill employment opportunities. Available data indicate that the working uninsured are a heterogeneous group. Although their economic and demographic characteristics are known to some extent, the reasons for their lack of insurance remain largely unknown. Compared to the poor insured, the poor uninsured generally use fewer services, receive more free care, and use public hospitals as a regular

source of care more often. Health care services provided to the uninsured are paid for through a variety of sources—federal, state, and local funds provide support for indigent patients. While philanthropy, in both public and private hospitals, helps to cover some uncompensated care costs.

**Health Insurance:
Bibliography of Studies on
Health Benefits for the
Uninsured**

GAO/HRD-89-27FS, Feb. 24.

This annotated bibliography contains studies concerning health benefits for the uninsured. It cites literature, including books, journal articles, and research reports published between 1980 and 1988.

**DOD Health Care:
Extent to Which Military
Physicians Perform
Administrative Tasks**

GAO/HRD-89-53, Feb. 13.

Concern was raised that military physicians were spending time performing office management tasks, such as answering phones and typing documents, that would be better spent providing medical care. There is general agreement within the Department of Defense and the military services that physicians are performing clerical and administrative tasks and that this detracts from clinical practice time and adversely affects physician productivity. Although the full extent of the administrative support problem and its effects are unknown, DOD health care professionals agree that it is a serious matter requiring priority attention. Each service has initiated or planned various actions to address this issue, but the impact of these actions may not be felt for a long time.

**DOD Health Care:
Issues Involving Military
Nurse Specialists**

GAO/HRD-89-20, Mar. 29.

Various private sector nursing organizations had expressed concern that military nurse specialists—nurse anesthetists, nurse midwives, and nurse practitioners—are not being accorded the administrative and clinical responsibilities that their training justifies. Nurse specialists are individually privileged or authorized to perform specific functions (e.g., initiate, alter, or terminate medical care regimens) within established medical protocols and service guidelines. However, as a matter of practice, Department of Defense physicians are ultimately responsible for the care provided to patients in military treatment facilities. For this reason, a health care provider who is a nonphysician may not practice totally independent of a physician. Other issues raised involved military nurse specialists' promotions and their input to DOD policy. According to DOD

officials, nurse specialists who are promoted to the rank of lieutenant colonel (Army and Air Force) or commanders (Navy) and higher ranks may be required to assume supervisory or management responsibilities in their specialties. In most instances, however, they will also continue to do clinical work within their specialties. Concerning input to DOD policy, according to most specialty advisers, their input is solicited and used by the services but less so in DOD.

**ADP Modernization:
Health Care Financing
Administration's Software
Redesign Contract**

Acc. No. 138192 (GAO/IMTEC-89-15), Mar. 16.

The Health Care Financing Administration's software redesign contract is an important portion of its Project to Redesign Information Systems Management. HCFA's 3-year, \$7.95 million software redesign contract is the cornerstone of PRISM. PRISM is planned to modernize the agency's computer hardware and software at a cost of about \$55 million for FYs 1986 through 1990. HCFA's actions in managing its software redesign contract were generally effective. The agency took action to improve contractor performance when its contractor did not provide required key personnel and submitted unacceptable products. Even though HCFA took action to correct unacceptable contractor performance, the agency experienced cost growth and schedule slippage in the contract. In November 1988, 14 months after the contract began, the contractor estimated that the entire contract would take 9 months longer to complete and cost \$4.7 million more than the previous estimate of \$7.95 million.

**Medical Devices:
FDA's Implementation of
the Medical Device
Reporting Regulation**

GAO/PEMD-89-10, Feb. 17.

The ability of the Food and Drug Administration to protect the public health has been severely limited by its lack of information on problems associated with medical devices. The medical device reporting regulation requires manufacturers and importers of medical devices to report to FDA whenever they become aware that a device has been associated with the serious injury or death. FDA established a system to process the device-problem reports that are required under the MDR regulation and procedures to monitor compliance with the provisions of the regulation. The amount of information received by FDA about problems associated with medical devices has increased more than seven-fold since the implementation of the MDR regulation. However, the operation of the MDR report-processing system was handicapped by a lack of procedural guidelines for the reports analysts, by a shortage of automated data

processing skills among the analysts, and by an unnecessarily complicated workflow pattern for the processing of MDR reports.

Breast Cancer: Patients' Survival

GAO/PEMD-89-9, Feb. 28.

This report examines the extent to which one advance in the treatment of breast cancer has benefited patients. In the mid-1970s, great excitement was generated by reports from two separate clinical trials that chemotherapy administered following surgery (adjuvant chemotherapy) was beneficial for premenopausal women with breast cancer that had spread to the lymph nodes under the arms. The results of continued experimentation on the benefits of adjuvant chemotherapy led to a consensus that "adjuvant chemotherapy has demonstrated a significant reduction in mortality in premenopausal women with histologically positive axillary lymph nodes." Despite a considerable increase in the use of chemotherapy since 1975, there has been no detectable increase in survival for the patients who should have benefited most from the advent of this therapy. GAO's work does not contradict these findings. What it does show is that there seem to have been problems in moving the treatment for breast cancer from the laboratory to the patients. The issue of the survivability benefits from postsurgery chemotherapy treatment needs further study.

Social Services

Welfare Hotels: Uses, Costs, and Alternatives

GAO/HRD-89-26BR, Jan. 31.

GAO examined the use of "welfare hotels" as primary housing for needy families. Welfare hotels are regarded as commercially owned, single- or multistory hotels or motels providing shelter to a clientele composed exclusively or primarily of homeless families receiving some type of public assistance. Basic services provided to hotel residents usually include a room with a private bath, linen changes, room cleaning, and general facility maintenance. However, services can vary, in some instances families have difficulty receiving even basic hotel service. Hotel cost vary widely, from an average of \$65 to \$100 per night in New York City. Average daily rates paid in other localities include: \$49 in

Washington, DC; \$50 in the state of New Jersey; \$75 to \$89 in Westchester County, New York; and \$35 and below in other localities. Alternatives, such as congregate family shelters and transitional apartments can be more expensive than hotels. Various government and private sector initiatives are underway to address the need for low-income housing.

**Refugee Program:
Financial Accountability
for Refugee Resettlement
Can Be Improved**

Acc. No. 138218 (GAO/NSIAD-89-92), Mar. 17.

Congressional concerns over the use of reception and placement grant funds for refugee self-sufficiency have not been effectively addressed. Current quarterly financial reports contain inconsistent data and cannot be used to make meaningful comparisons of program costs among the voluntary agencies. The voluntary agencies prepared reports to Congress on their use of funds for direct services and administration, using differing methods and assumptions to classify such costs. Because the agencies have significantly different organizational structures and operations, uniform definitions of direct and administrative costs are not feasible. Routine financial reporting has not provided reliable data on the total cost of refugee reception and placement to serve as a basis for measuring the appropriateness of the federal contribution. The Bureau of Refugee Programs needs to provide definitions of administrative and direct service costs tailored to the circumstances of each voluntary agency, so that their use of federal funds for administrative activities and direct services to refugees can be evaluated.

Income Security

**Medicaid:
Recoveries From Nursing
Home Residents' Estates
Could Offset Program
Costs**

Acc. No. 138099 (GAO/HRD-89-56), Mar. 7.

Through asset recovery programs, states can recover from the estates of nursing home recipients or their survivors a portion of the expenses the state incurs. Estate recovery programs require Medicaid recipients whose primary assets are their homes to contribute toward the cost of their nursing home care in the same manner required of recipients whose assets are in the form of stocks, bonds, and cash. Unlike the payments made from liquid assets, however, payments from the home's

equity are deferred until the recipient and his or her spouse and dependent children no longer need the home. Estate recovery programs provide a cost effective way to offset state and federal costs, while promoting more equitable treatment of Medicaid recipients.

**Medicare:
Reasonableness of Health
Maintenance Organization
Payments Not Assured**

Acc. No. 138095 (GAO/HRD-89-41), Mar. 7.

Under risk contracts, health maintenance organizations agree to provide all Medicare-covered services for a fixed monthly amount per beneficiary (capitation payment) and to experience a profit or loss depending on their cost to do so. Medicare law provides a payment safeguard to help ensure the accuracy of the methods used to calculate capitation rates. This safeguard, the adjusted community rate process, is intended to prevent HMOs from retaining excessive profit from Medicare's payments. The Health Care Financing Administration's process for reviewing, validating, and approving ACR submissions provides little assurance that the ACR process is meeting its payment safeguard objective. GAO's case studies of ACRs submitted by 4 HMOs and review of a random sample of ACRs submitted by 15 other HMOs showed that the process is susceptible to HMO manipulation and error. This is because HCFA does not always enforce its requirements that an HMO (1) use its own historic cost and utilization data as a basis for calculating its ACR, (2) follow the prescribed computational methods to account for differences between Medicare and commercial members' volume and cost of services, and (3) document the calculations.

**Medicare:
Statutory Modifications
Needed for the Peer
Review Program Monetary
Penalty**

GAO/HRD-89-18, Mar. 30.

Medicare seeks to ensure that beneficiaries receive hospital care that is medically necessary and meets professionally accepted standards. To detect any violations of such standards, Medicare contracts with peer organizations to examine beneficiaries' inpatient hospital records. If they identify instances of improper or unnecessary care that are gross and flagrant or of substantial number, PROs must report them to the Office of the Inspector General of the Department of Health and Human Services and provide appropriate recommendations. Although in the most serious cases Medicare can exclude the provider from the program, if exclusion is not warranted it can impose monetary penalties instead. The dollar penalty, however, is based on the cost to Medicare of the improper or unnecessary care. In a 1987 memorandum, the OIG advised PROs not to submit cases with recommendations for monetary penalties

unless the penalty would be cost-effective. Specifically, the memorandum indicated that PROs should not recommend such penalties unless, among other things (1) the provider displayed a pattern, rather than one or two instances, of unnecessary or poor-quality care and (2) the Medicare program improperly reimbursed the provider a significant amount of money. To make the PRO monetary penalty a useful alternative when exclusion is not appropriate, the Social Security Act should be amended by substituting a fixed dollar limit on monetary penalties for the current cost-based limit.

District's Workforce:
Annual Report Required
by the District of Columbia
Retirement Reform Act

Acc. No. 138241 (GAO/GGD-89-57), Mar. 22.

The District of Columbia Retirement Reform Act provides for annual federal payments to the DC Police Officers and Fire Fighters' Retirement Fund. These payments, however, are to be reduced when the disability retirement rate exceeds an established limit. An enrolled actuary determined the disability retirement rate to be 0.733 percent. Since this rate is less than eight-tenths of 1 percentage point, no reduction is required in the FY 1990 payment to the District's police and firefighters retirement fund.

Veterans Affairs

VA Health Care:
Language Barriers
Between Providers and
Patients Have Been
Reduced

Acc. No. 138137 (GAO/HRD-89-40), Mar. 8.

Public Law 95-201 requires the Administrator of Veterans Affairs to ensure that Veterans Administration health care personnel have the basic proficiency in spoken and written English to carry out their responsibilities satisfactorily. VA's efforts since the law was enacted have significantly reduced the English language and proficiency problems among its direct health care providers.

Administration of Justice

Political Asylum Applicants: Financial Effect on Local Services in the Miami Area

Acc. No. 138083 (GAO/GGD-89-54FS), Feb. 23.

Miami, Florida, officials discussed with GAO how the influx of Nicaraguans entering the country at Brownsville, Texas, has affected local service providers in Miami. The officials represented Dade County Public Schools, Office of Metro-Dade County Manager, Florida Health and Rehabilitation Services, City of Miami, United Way, Miami-Dade Community College, and Immigration and Naturalization Service Miami District Office. They expressed concern about (1) the financial strain on their public and private organizations providing services to the aliens (e.g., education for children and health needs) and (2) the aliens' general welfare.

Internal Controls: Justice's Payroll System Controls Need Strengthening

GAO/GGD-89-50, Mar. 28.

Justice's central payroll systems is vulnerable to improper payments of salary to employees on extended leave without pay. In nearly half of the 72 extended LWOP cases GAO identified, the documentation necessary to prevent employees from receiving salary payments was not prepared, and Justice's most recent review showed that more than a third of its timekeepers had received no training on how to prepare time and attendance records. Although Justice is acting to correct these problems by strengthening its internal controls, more can be done. Justice should (1) complete and issue the revised leave administration order containing the LWOP documentation requirement, the new timekeepers' manual, and the change to the existing T&A order requiring the separation of the T&A preparation and certification functions; and (2) establish a requirement that employees assigned T&A preparation responsibilities complete appropriate timekeeper training.

**Internal Affairs
Investigations:
Customs Service Needs to
Better Manage the
Investigation Process**

GAO/GGD-89-43, Feb. 28.

The Customs Service's Office of Internal Affairs is responsible for a variety of activities, including investigating alleged improprieties by Customs employees, maintaining the security of Customs' facilities, and providing management with objective assessments of Customs' activities through internal audits. Within Internal Affairs, there are no assurances that all allegations of impropriety concerning Customs employees receive proper consideration because not all allegations are documented. Also, Internal Affairs estimated a backlog of between 3,500 and 5,500 cases had developed where Internal Affairs needs to do 5-year reinvestigations of employees. The backlog developed because the office did not have the staff to do all reinvestigations and decided to do such investigations only when employees change positions or receive promotions. The office needs to prepare and maintain required documentation in case files, refer immediately all allegations of impropriety concerning senior level officials to Treasury's Office of the Inspector General, and make background reinvestigations as required by the Office of Personnel Management.

**Immigration Reform:
Federal Programs Show
Progress in Implementing
Alien Verification Systems**

GAO/HRD-89-62, Mar. 31.

The Immigration and Reform and Control Act of 1986 requires that the immigration status of all alien applicants for certain federal program benefits be verified with the Immigration and Naturalization Service. By October 1, 1988, state and local program offices responsible for administering Unemployment Compensation, Food Stamp, Aid to Families With Dependent Children, Medicaid, certain housing and education assistance programs, and adult assistance program were to have begun verifying alien applicants' status. In 1984, INS created the Systematic Alien Verification for Entitlement system, through which programs could verify alien applicants' immigration status. Progress has been made in implementing the act's verification requirements, although experience in using SAVE has been too limited to evaluate its overall effects. The Unemployment Compensation program is farthest along in meeting the new requirements. In GAO's October and November 1988 telephone survey about half of the 53 state Unemployment Compensation program offices reportedly were using SAVE, and the others either planned to use it or had requested waivers. About 91 percent of the 164 state Food Stamp, AFDC, Medicaid, and adult assistance program offices had taken steps to comply with the new law.

General Government

Federal Workforce: Temporary Appointments and Extensions in Selected Federal Agencies

GAO/GGD-89-15, Feb. 23.

In January 1985, the Office of Personnel Management delegated authority to agencies permitting them to expand their hiring and extension of temporary employees without prior OPM approval. GAO evaluated 28 temporary appointment made in four selected agencies—the Smithsonian Institution; the Indian Head, Maryland, Naval Ordnance Station; the Bureau of Labor Statistics and the Employment Standards Administration in the Department of Labor. Nineteen of the 28 appointments appeared to have been appropriately made to fill a temporary need. Four appear to have been inappropriately made to fill a permanent need. For the remaining five cases the record was not clear enough to tell whether the temporary appointments were proper.

Procurement: Government Printing Office Supply of Microfiche to Libraries Disrupted

Acc. No. 138225 (GAO/GGD-89-44), Feb. 27.

Concern was raised about the Government Printing Office's efforts to acquire and supply microfiche copies of government documents to about 1,400 libraries. In August 1977, GPO terminated its microfiche contract with Automated Datatron Inc. because of the firm's poor performance. When the ADI contract was terminated, the flow of microfiche versions of government documents to the libraries virtually ceased. As of November 1988, three new contractors were making deliveries to GPO on replacement contracts and GPO had started sending microfiche to the libraries. Despite the progress GPO has made in contracting for replacement microfiche, the shortage is likely to continue—at least over the short-term for the following reasons. First, all the new contractors have been denied at least one additional replacement contract because of microfiche produced during preaward testing did not meet GPO standards or the contracting officer rejected the firm because it had a record of late deliveries. Second, the new contractors have received formal warnings about the quality of microfiche they have produced. Third, much of the microfiche the contractors have produced is backlogged awaiting quality testing by GPO. Finally, there is a large backlog of documents GPO needs to send to contractors for conversion to microfiche.

**Tax Administration:
Interest on Tax Refunds
Paid by IRS in 1988**

Acc. No. 138094 (GAO/GGD-89-42), Mar. 7.

Between May 31, 1988 and October 1, 1988, the Internal Revenue Service paid interest totaling \$12.6 million on about 1.1 million refunds. During the comparable period in 1987, IRS paid interest of \$8.3 million on about 800,000 refunds. IRS officials said two factors contributed to most of the \$4.3 million increase in interest payments. First, interest rates increased from 8 percent in June to October 1987 to 9 percent during the same months in 1988. Second, was an increase in the number of returns that were filed as nonrefund but were found during processing to contain errors that resulted in the taxpayer being owed a refund.

**Tax Administration:
Improving IRS' Business
Nonfiler Program**

Acc. No. 138112 (GAO/GGD-89-39), Mar. 8.

The Internal Revenue Service could make two additional improvements to its business nonfiler program. The first is to use state employment data to help IRS verify businesses' statements about their employment liabilities and expedite the closure of nonfiler investigations that have little or no federal employment tax liability. The second is to dedicate staff to work with computer services staff to correct the computer coding problem so that Publication 393, "Federal Employment Tax Forms," is not mailed to invalid addresses.

**Tax Administration:
Reducing Delays in the
Pursuit of Tax Revenue on
Closed Criminal Cases**

Acc. No. 138214 (GAO/GGD-89-41), Mar. 16.

While the amount owed by taxpayers who intentionally fail to report income or pay taxes is not known, the Internal Revenue Service's Criminal Investigation Division investigates allegations of such criminal violations under its General Enforcement Program. Although the main purpose of a criminal investigation is to determine whether tax violations warrant criminal prosecution, such investigations, or cases, may also have potential for civil tax assessment and collection. IRS generally was doing a good job of referring completed General Enforcement Program cases for civil action. But, the timeliness of the referrals was not so good when these cases had been recommended for criminal prosecution. Delayed referral can impede the collection of taxes owed, and taxpayers may use the extra time to conceal and dissipate assets and income. IRS should establish appropriate internal control mechanisms in the Criminal Investigation Division to better ensure prompt notification to the Office of Chief Counsel on actions taken on criminal prosecution cases and about delayed authorizations of civil actions on such cases. And the

Chief Counsel of Internal Revenue should establish controls to better ensure timely authorizations of civil action on completed criminal prosecution cases.

**Data Communications:
Progress in Installing IRS'
Communications
Replacement System**

GAO/IMTEC-89-14, Feb. 22.

The Internal Revenue Service is replacing its existing data communications system, which has experienced reliability and capacity problems, with a new \$156-million Communications Replacement System.

Although tests of the new system at Martinsburg Computing Center located in Martinsburg, West Virginia, identified about 900 software problems, most of these had been corrected as of January 1989. However, because the contractor had not corrected all of the problems and had not delivered acceptable documentation describing how the system's software works and how it can be used, as of January 1989 IRS had not formally accepted the system. While the remaining software problems and the lack of satisfactory documentation do not appear to adversely affect the processing of returns, they do affect IRS' ability to monitor systems performance and quickly identify response time problems. IRS acted correctly in withholding payments on the new system until the contractor corrects all outstanding software-related problems identified.

**Freedom of Information
Act:
State Department Request
Processing**

GAO/GGD-89-23, Jan. 23.

Concern was raised about the slowness of the Department of State in responding to Freedom of Information Act requests. State received about 2,700 FOIA requests during the 3-year period ending December 31, 1987. FOIA generally requires that agencies determine within 10 working days after receipt of an FOIA request whether to provide the information requested and then immediately notify the requester of their decision. State has not been able to keep pace with its FOIA workload. It took longer than 6 months to complete most of the requests it received from January 1985 to December 1987, and there was a backlog of over 3,700 requests as of January 1, 1988. The Department's difficulties can be attributed in part to staffing limitations and in part to inadequate managerial controls necessary to help FOIA officials monitor the process and identify and correct problem areas. State has provided additional FOIA-related staff and improved its automated case tracking system. It has also taken steps to deal with the cases it improperly closed in an effort to reduce its backlog.

**National Security:
The Use of Presidential
Directives to Make and
Implement U.S. Policy**

GAO/NSIAD-89-31, Dec. 28.

Presidential directives that are not made public or shared with Congress have become a concern because national policy may be initiated and directed and resources may be committed by a president without relevant congressional committees being consulted or informed. Since 1961, at least 1,042 presidential directives have been issued and 247 have been publicly released. GAO evaluated those 247 directives and found that 116 fell into three identified categories—they established policy, directed the implementation of policy, and/or authorized the commitment of government resources.

**Federal Real Property:
Appraisal of Land to Be
Sold to Columbia Hospital
for Women**

Acc. No. 138144 (GAO/GGD-89-46), Mar. 10.

GAO was requested to obtain an independent appraisal of the government-owned property, as unimproved land, located at 2400 M Street, NW, in the District of Columbia. The contract appraiser estimated that the special use value and fair market value of the government-owned property was \$8,550,000 on December 31, 1981, and was \$20,000,000 on October 31, 1988.

**Impoundment of Funds:
Six Rescissions of Budget
Authority**

Acc. No. 138161 (GAO/OGC-89-5), Mar. 1.

In his third impoundment message for FY 1989, the President submitted six proposed rescissions of budget authority for the Departments of Housing and Urban Development, the Interior, Justice, and Labor totaling \$143,096,000.

**Financial Audit:
Food and Nutrition
Service's Financial
Statements for 1987**

Acc. No. 138193 (GAO/AFMD-89-22), Mar. 15.

The Food and Nutrition Service administers the Department of Agriculture's eight food assistance programs. GAO's opinion to FNS' statement of financial position as of September 1987 was limited, since certain information with respect to opening balances of net accounts receivable, accounts payable, and unredeemed food coupons was not readily available. FNS's system of internal accounting controls discloses two material weaknesses. FNS does not record the value of (1) undeliverable food coupons that are returned to inventory and (2) coupons which actual experience indicates are never redeemed. As of September 30, 1987, FNS had total liabilities and equity of \$1,988,797.

**Financial Audit:
House Interparliamentary
Groups' Financial
Statements for 1987**

Acc. No. 138258 (GAO/AFMD-89-40), Mar. 27.

Interparliamentary groups provides for Members of Congress to meet annually with other representatives parliamentary groups to discuss common problems in the interest of relations between the United States and Mexico, and between the United States and Canada, and with other North Atlantic Treaty Organization members. The financial statements of the House of Representatives Mexico-United States Interparliamentary Group, Canada-United States Interparliamentary Group, United States-European Community Interparliamentary Group, and the United States Group of North Atlantic Treaty Parliamentary Conference present fairly the financial position of these groups as of December 31, 1987. The Mexico-United States Group had a fund balance of \$14,500.49; the Canada-United States Group had a fund balance of \$16,344.58; the United States-European Community Group had a fund balance of \$19,667.70; and the United States Group of the North Atlantic Treaty Parliamentary Conference had a fund balance of \$1,458.13 as of December 31, 1987.

**Financial Audit:
House Child Care Center
Financial Statements for
the Year Ended August 31,
1988**

GAO/AFMD-89-61, Mar. 29.

The House of Representatives Child Care Center, Inc., is an independent, nonprofit, nongovernmental corporation, incorporated under the laws of the District of Columbia for the sole purpose of providing child care. The Center provides its services for children of Members, officers, their staffs, and other support personnel of the House of Representatives. The financial statements fairly present the financial position of the Center as of August 31, 1988. The total liabilities and fund balance was \$130,843.

**Congressional
Testimony by GAO
Officials**

Commodity Credit Corporation's Export Credit Guarantee Programs, by Allan I. Mendelowitz, National Security and International Affairs Division, before the Subcommittee on Tobacco and Peanuts, House Committee on Agriculture, Mar. 1. GAO/T-NSIAD-89-9. Acc. No. 138034.

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